



AGREED ON 8 FEBRUARY 2019
 INITIALED BY KIP HARKNESS KH
 AND DAVID MONG DM

CITY OF SAN JOSE TERM SHEET FOR RECYCLE PLUS FUTURE CONTRACT

This term sheet is a summary of the proposed terms, as of the date stated in the signature block, between California Waste Solutions ("Contractor") and staff with the City of San José ("City") Environmental Services Department ("ESD") for an amendment to the current agreement and potential future fifteen year agreement for recycling services dependent upon Contractor's satisfactory performance under the current agreement as amended.

This term sheet is not binding on the City, and any modification, approval or acceptance of this term sheet by the City Council is not intended to, nor will it form, a contract or enforceable agreement with the City. This document only represents Contractor's intention to develop amendments to the current agreement and a potential new agreement with the City under these terms. Any agreement that incorporates all or part of these terms will be subject to further input from the City Council and acceptance by the City Council as required under the San José Municipal Code and City Charter. If properly executed, any amendments to the current contract or future agreement, and the terms therein, will supersede this term sheet. All start dates, effective dates, and compliance dates in this term sheet assume Council approval of the amendments to the current agreement before July 1, 2019 and are subject to change.

A. Agreement Terms

Contractor will agree to amend the current agreement for recycling service, scheduled to expire June 30, 2021, to include the following performances standards during a 12-month performance evaluation period beginning July 1, 2019 through June 30, 2020:

- a. Meets overall customer satisfaction of 75%, as determined by the **annual average** of a third-party survey, conducted **quarterly**.
- b. Meets Service Delivery standard by not accumulating more than \$30,000 in Liquidated Damages (as specified in Attachment B) during the performance period.
- c. Meets the Material Recovery Standard, as determined by the **annual average** of a third-party studies, conducted **quarterly** in the weeks of August XX, October XX, February XX, and May XX.

If Contractor meets the above standards during the performance evaluation period, the City and Contractor will enter into a new agreement effective July 1, 2021 through June 30, 2036 pursuant to the terms discussed herein. These negotiations will begin on or about March 1, 2019 and are intended to be successfully concluded by October 1, 2019. Contractor will also agree to amend the current agreement to provide the City with the sole option to extend the term of the current agreement by six months, through December 31, 2021, to provide the City with sufficient time to conduct an RFP for future recycling services if Contractor fails to meet the above standards during the 12-month performance period.

B. Reduce Per Capita Waste to Landfill

- 1) Material Recovery Standard: Contractor's compliance with its diversion requirements will be assessed using a new standard, "Material Recovery Standard", which will replace the "RRM Diversion Standard" in Contractor's current agreement. The "Material Recovery Standard" will be determined using a calculation as discussed in more detail below.

Quarterly Processing Study

Contractor will agree to amend the current agreement to conduct processing studies on a **quarterly** basis for the remaining term of the agreement during the x week of February, x week of May, x week of August and x week of October (dates will depend on consultant's availability). These quarterly processing studies will determine by weight the percentage of program material (as defined in Attachment A) present in recycling cart material landfilled (residue). If any of quarterly study results in 20% or more program material, by weight, present in residue, Contractor will submit a plan to City for decreasing program material in residue to less than 20% in the following study period. If Contractor's submitted plan is approved by the City, Contractor will implement the plan in the following study period. If an average of 20% or more program material, by weight, is present in residue, contractor fails to meet the processing study standard for diversion in the **calendar year in which the quarterly studies were performed**.

Any non-program material Contractor sold during the 3-month period prior to the processing study will be included in the study's calculation. The residue tons will be adjusted by a factor of the percentage of non-program material sold in relation to the tons of recycling cart material collected. "Sold" will be defined as "a market-based transaction when the ownership of program material or non-program material changes from one legal entity to another, that is documented through the use of a bill of sale, sales agreement, cancelled checks, invoice or other appropriate written documentation." Per current contract requirements, City staff or an entity representing the City, may audit and review Contractor's records, including records documenting the sale of program material and non-program material.

Annual Processing Study

Under any future agreement with Contractor for recycling services, processing studies will be conducted **annually** during the X week of February using the procedures and subject to the criteria discussed above. However, for the annual processing study, any non-program material Contractor Sold during the 12-month period prior to the processing study will be included in the annual study's calculation.

Processing Study Calculation: Example 1

(for illustrative purposes only)

- Of a 100 ton residue sample, 15 tons were program material.
- In the 12-month period prior to the residue sample, Contractor reported 100,000 tons of recycling cart material collected and 1,000 non-program material tons sold.
- Non-program materials sold represent 1% of tons collected (1,000 / 100,000), making the adjustment factor 1.01.
- Material Recovery Standard calculation:

$$\frac{15 \text{ program material tons in residue sample}}{100 \text{ residue tons} \times 1.01 \text{ adjustment factor for non-program materials sold}} = 14.85\%$$

Processing Study Calculation: Example 2

(for illustrative purposes only)

- Of a 100 ton residue sample, 25 tons were program material.
- In the 12-month period prior to the residue sample, Contractor reported 100,000 tons of recycling cart material collected and 5,000 non-program material tons sold.
- Non-program materials sold represent 5% of tons collected (5,000 / 100,000), making the adjustment factor 1.05.
- Material Recovery Standard calculation:

$$\frac{25 \text{ program material tons in residue sample}}{100 \text{ residue tons} \times 1.05 \text{ adjustment factor for non-program materials sold}} = 23.80\%$$

Payment Deductions

Beginning July 1, 2019, if Contractor fails to meet the Material Recovery Standard, City will deduct from payments due to Contractor on or before March 1st following the end of the calendar year in which Contractor did not meet the Material Recovery Standard.

- Year One: -\$0.30/unit/month
- Second Consecutive Year: -\$0.60/unit/month
- Third and Subsequent Consecutive Year: -\$0.90/unit/month

2019 Partial Calendar Year Example: $\$0.30 \times 165,000 \text{ units} \times 6 \text{ months} = \$297,000$

2020 Full Calendar Year Example: $\$0.30 \times 165,000 \text{ units} \times 12 \text{ months} = \$594,000$

Effective Date: July 1, 2019

- 2) Marketed Rate – Contractor will agree to amend the current contract to include a Marketed Rate. The Marketed Rate will evaluate on an on-going basis the recyclable material sold of the recyclable material collected net residue. “Sold” will be defined as “a market-based transaction when the ownership of recyclable material or non-program material changes from one legal entity to another, that is documented through the use of a bill of sale, sales agreement, cancelled checks, invoice or other appropriate written documentation.” Per current contract requirements, City staff, or an entity representing the City, may audit and review Contractor’s records, including records documenting the sale of recyclable material and non-program material.

The Marketed Rate for SFD District A and District C will be calculated as the tons of recyclable material and non-program material sold, divided by the tons of recyclable material and non-program material collected less the tons of recyclable material and non-program material residue. The Marketed Rate will be calculated **quarterly**. For the purposes of calculating the Marketed Rate, tonnages will not include any tons sold or collected, nor any tons of residue, attributable to Large Item collection.

$$\text{Marketed Rate} = (\text{Tons of Recyclable Material sold} + \text{Non-Program Material sold}) \div \\ ((\text{Tons Recyclable Material collected} + \text{Non-Program Material collected}) - (\text{Tons of Recyclable Material Residue} + \text{Non-Program Material Residue}))$$

The minimum Marketed Rate is eighty-five percent (85%). If Contractor does not meet or exceed a Marketed Rate of 85%, Contractor fails to meet the Marketed Rate standard.

Under any future agreement with Contractor for recycling services, the Marketed Rate will be calculated **every six-months** using the procedures and subject to the criteria discussed above.

- 3) SB 1383 Compliance: Contractor is aware that SB 1383, establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants, became law in 2016. Contractor will agree that passage of this law and the regulations required under it will not represent a Change in Law. The new agreement between the City and Contractor will provide for the program support and reporting required by SB 1383 and its regulations. If Contractor is required to provide significant changes to services in response to SB 1383 (e.g., updating container colors citywide), City and Contractor will meet to determine appropriate compensation for such services. **Effective Date: July 1, 2019**
- 4) Recycling Markets: Contractor and City will establish a “safety net” for recycling commodity markets in the agreement. The commodity market for recyclables experiences cyclical changes and fluctuations in market price due to supply and demand, periodic strikes, transportation issues, and other reasonably foreseeable events. This “safety net” would not be intended to address market price fluctuations or other changes due to these events. If such events occur, Contractor will be solely responsible for mitigating any potential economic impacts and will not look to the City for compensation adjustments. However, if recyclable commodity markets become not reasonably available (if the average commodity price drops by an agreed-upon percent under the previous five-year average, according to third-party recycling market indices), or there are other unforeseeable events related to recycling markets that cause ongoing economic impact, Contractor and City will meet to discuss a reasonable modification to the provisions of

the new Material Recovery Standard and/or other adjustments to Contractor's recycling obligations under the agreement with the City. **Effective Date: July 1, 2019**

C. Ease of Use

- 5) Customer Satisfaction: Overall customer satisfaction is a high priority for Contractor now and in the future. The current agreement does not have an overall measurement of customer satisfaction, so this measurement will be incorporated as follows:

- a. Overall customer satisfaction: Contractor required to meet 75% customer satisfaction of customers with an expressed opinion (customers with no opinion or stating "don't know" would be excluded) from third-party surveys specific to core services that contractor provides to residents (single-family recyclables collection in Service Districts A & C). Results of surveys conducted by mutually agreed upon third-party shall be final and binding on both parties. **Effective Date: July 1, 2019**

Contractor agrees to minimum performance standards and associated liquidated damages, incorporating those previously negotiated, in Attachment B. Other customer service enhancements will include:

- b. Performance standards: To ensure an acceptable customer service experience for residents, Contractor, in conjunction with ESD, developed performance standards to address contractor's call center and quality of collection (see Attachment B). Contractor will also develop mechanisms, to ensure Contractor maintains minimal hold times, trained customer service representatives, customer self-service options, completion of collection services on the scheduled day without leaving behind toppled containers, and liquidated damages that are payable to the City for these topics. **Effective Date: July 1, 2019**
- c. Online customer access: For no additional cost to the City, Contractor will implement online self-service features, such as access to service history, frequently asked questions (FAQ's), live chats, and email or web-based forms for customers to report services issues, make service requests, provide changes of address, or arrange for special pickup appointments; **Effective Date: July 1, 2021**
- d. *My SanJose App*: Contractor will interface with the *MySanJose* App (or other digital platform), with City supporting the front end, so that a customer can easily connect with hauler for customer service related questions and requests (including missed collections and replacement containers). City to fund appropriate app integration costs. Both parties will work in good faith to accomplish this. **Effective Date: July 1, 2021**
- 6) Outreach: The City will be responsible for outreach activities associated with the Recycle Plus program. By October 1, 2019, and pending final City Council approval of related budget actions, the City intends to

invest significant resources to these outreach activities. City will develop meaningful performance metrics, with input from all Recycle Plus contractors, to ensure the effectiveness of these outreach efforts. The Public Education and Outreach Plan (PEOP) and the Articles and Exhibits associated with the PEOP in the current agreement will not be included in any future agreement. This includes:

Article 9 – Additional Services

- 9.1 Public Education and Outreach Program (PEOP)
- 9.1.2 Annual Collection Service Notice (ACSN)
- 9.1.3 Collection Calendar
- 9.1.4 Alternative Material

Exhibit 8 – Data and Reporting

- IV.A. Quarterly Reports (IV Community Outreach Summary)
- IV.B. Annual Reports (IV Community Outreach Summary)

Exhibit 9 – Outreach

- A. Annual Outreach Plan
- B. Quarterly Coordination Meetings
- C. Additional Outreach Materials

Effective Date: July 1, 2019

- 7) Use of Non-Collection Notices: Contractor will limit the use of non-collection notices (NCNs) to instances where containers contain hazardous waste (hazardous waste includes “Exempt Waste” and “Hazardous Waste” as defined in the current agreement.

For all NCNs issued, Contractor will provide the City with photo documentation and related information (address, reason for NCN) within twenty-four hours of issuing the NCN. Failure to properly document an NCN will result in Liquidated Damages of \$100 per incident payable to the City. Distribution and parameters of Courtesy Notices will continue under the terms of Contractor’s current agreement.

Effective Date: July 1, 2019

Competitive Rates

- 8) Compensation: Current rates will continue to apply throughout the term of the current agreement.

However, beginning July 1, 2019, and running through the term of the current agreement, Contractor may be eligible to receive **annual** incentive payments up to the new compensation rate at base level percentages of non-program material (33% in District A, 32% in District C; incentive payment would be the difference between the current rates and base level rates listed in Attachment C) if Contractor meets the following standards during the **prior year**:

- a. Customer Satisfaction incentive payment equal to 50% of the increase in the new compensation rate applies if Contractor:
 - o Meets overall customer satisfaction of 75%, as determined by a third-party survey, conducted **quarterly**, as determined by the **annual average**, and
 - o Meets Service Delivery standard by not accumulating more than \$30,000 in Liquidated Damages (as specified in Attachment B) during the **year**.
- b. Material Recovery Standard incentive payment equal to 50% of the increase in the new compensation rate applies if Contractor:
 - o Qualified for the customer satisfaction incentive payment above, and
 - o Meets Material Recovery Standard, conducted **quarterly**, as determined by the **annual average**.

Incentive payments will be unaffected by changes in non-program material levels as determined by the curbside waste characterization every two years. Incentive payments will be paid within 30 days of Contractor's meeting the standards in the prior year, pending completion of required studies, final determination of any liquidated damages assessed during the applicable year and receipt of required information from Contractor.

Under any new agreement with Contractor for recycling services, potential maximum compensation rates are included in Attachment C: Contractor Pricing. Applicable rates will be based on the percentage of non-program material (as defined in Attachment A) found in recycling carts, per studies conducted once every two years. The first study will be conducted during the week of October XX 2020 and results will be applied to service rates effective July 1, 2021 – June 30, 2022. Subsequent studies will take place every two years during the xx week of October. Results of these studies will be applied to the service rates for the subsequent two fiscal years.

- 9) Annual Compensation Adjustment Methodology: The Refuse Rate Index (RRI) will be updated to indices published by the Bureau of Labor Statistics (BLS) that are specific to the San Francisco Bay Area. The following local indices will replace the current national indices:

a. **Labor**

Employment Cost Index (NAICS)

Local: Series ID: CIU20100000000LKA

Not seasonally adjusted

Series Title: Total compensation for private industry workers in the San Jose-San Francisco-Oakland, CA CSA, 12-month percent change

Ownership: Private industry workers
Component: Total compensation
Occupation: All workers
Industry: All workers
Subcategory: All workers
Area: San Jose-San Francisco-Oakland, CA CSA
Periodicity: 12-month percent change

b. Other Operating Expenses

CPI-All Urban Consumers (Current Series)

Local: Series ID: CUUR549BSA0

Not Seasonally Adjusted

Series Title: All items in San Francisco-Oakland-Hayward, CA, all urban consumers, not seasonally adjusted

Area: San Francisco-Oakland-Hayward, CA

Item: All items

In the event any index is discontinued, a successor index will be used. A successor index will be an index that is most equivalent to the discontinued index as recommended by the BLS.

In addition:

- RRI index changes will be calculated using annual calendar year averages, not December to December values, as in the current agreement.
- For the local Employment Cost Index (see above "a. Labor" component), the average of the four quarters for the calendar year will be used to calculate this index change, due to BLS only publishing 12-month percent changes (quarter over quarter) and not the actual indices.
- All labor-related costs (including wages, benefits, payroll taxes, workers compensation, pension, and health and welfare costs) included in Labor component.

Effective Date: July 1, 2021

D. Other Terms and Conditions

- 10) Green Fleet: For next fleet replacement, scheduled to occur after July 1, 2021, all of Contractor's fleet serving the City will be fueled by Compressed Natural Gas (CNG).
- 11) Large Item ("Junk Pickup") services will continue until June 30, 2021 at the rates in the current agreement with Contractor. However, the City will have the sole option to terminate Junk Pickup service upon 6 months' notice to Contractor.
- 12) If requested by the City, Contractor will take over other Recycle Plus services from other providers as requested by City. If such a request occurs, City and Contractor will meet to determine appropriate compensation for such services.
- 13) All other terms and conditions in the existing agreement will not change except for technical adjustments where appropriate.

E. Attachments:

- A. Waste Characterization Studies**
- B. Customer Service Performance Standards**
- C. Contractor Pricing:** summary of contractor's pricing offer. Contractor to complete offer based on the effective dates included in this term sheet.
- D. Contractor Previous Pricing Offers:** The function of this attachment is to record Contractor's previous pricing offers and present final pricing offers.

By signing this document, Contractor represents that it has full authority to negotiate with the City and intends to enter into an agreement with the City under these terms.

California Waste Solutions Authorized Signature

Date

Printed Name

Title

Attachment A: Waste Characterization Studies

Processing studies will be conducted to determine by weight the percentage of program material present in recycling cart material collected and in recycling cart material landfilled (residue). Waste characterization studies will be performed by a qualified third-party contractor jointly selected by the Recycle Plus recycling contractors and City representatives. The vendor selection team will consist of the following: Recycle Plus Program Manager, one representative from Contractor, one representative from GreenTeam, one City Manager appointed City employee, and one City Manager appointed individual from an outside agency (pending availability). The term of the agreement for the selected consultant shall be 3 years. The City will cover the costs of waste characterization studies. For all parties, the results from all waste characterization studies (used for determining appropriate compensation rates, except Incentive Payments, and for determining adherence to the Material Recovery standard) shall be final and binding on both parties. The program material list is separate from the recyclables list in the current agreement.

Program Material List:

For the purposes of the studies related to determining appropriate compensation rates (except Incentive Payments) and for determining adherence to the Material Recovery Standard, program materials will be: clean recyclable paper, recyclable plastic, recyclable metal, recyclable glass, and recyclable textiles, as detailed in Table 4 of the "Single Family Recyclables Study" conducted in 2015 (see below). All other materials, including compostable organics and used oil and oil filters, will be considered non-program material. The program material list may be amended every two years to reflect recycling market conditions. Both recycling contractors may co-sign a request that item(s) be added and/or removed to the approved list of program material. Requests for addition could include compostable organics. The requests shall include:

- a. Description of specifically how the material will be diverted (if item is added) or disposed (if item is removed);
- b. Item tonnage data for the past six (6) months, to the extent available;
- c. Item tonnage projected to be collected (if item is added) or disposed (if item is removed) over the next twelve (12) months;
- d. For request to remove item(s), evidence of inability to market material, including third party indices showing drop in commodity pricing, evidence of rejected bales (if item is removed), and other pertinent information;
- e. Additional information as requested by City.

The request to amend the program material list shall be made in writing by November 1, 2019 to the ESD Director. Subsequent requests shall be submitted by both contractors by November 1 of odd-numbered years thereafter. The Director shall review the request and respond to Contractor within sixty (60) calendar days. If ESD approves request, the amended list will be considered final and will be applied to all studies done in the following two calendar years. Example:

Contractors Submit Request	ESD Response	If Approved, Applied to Studies
By November 1, 2019	By December 2019	January 2020-December 2021
By November 1, 2021	By December 2021	January 2022-December 2023

If ESD denies the request, the prior approved list will apply. This decision may be appealed to the City Manager, whose decision will be final.

For July 1, 2019 through December 31, 2019, the program material list will be the list in Table 4 below.

Table 4. Detailed Composition, 2015 San Jose Overall Incoming Single Family Residential Recycling

Material	Estimated Percent	+ / -	Estimated Tons	Material	Estimated Percent	+ / -	Estimated Tons
Recyclable Paper	42.0%		40,006	Non-Recyclable Materials	27.0%		25,695
Clean Newspaper	6.2%	0.9%	5,894	Pizza Boxes	0.8%	0.1%	800
Clean OCC	12.8%	1.8%	12,174	Contaminated Newspaper	1.4%	0.6%	1,310
Clean Mixed Paper	22.5%	1.8%	21,462	Contaminated OCC	3.4%	0.9%	3,276
Clean Aseptic and Polycoated Packaging	0.5%	0.1%	476	Contaminated Mixed Paper	6.1%	1.3%	5,781
				Contaminated Aseptic and Polycoated Packaging	0.1%	0.0%	60
Recyclable Plastic	12.2%		11,619	Remainder/Composite Paper	1.6%	0.3%	1,526
#1 PET Bottles and Containers	3.3%	0.3%	3,100	Remainder/Composite Plastic	2.2%	0.6%	2,093
#2 HDPE Bottles and Containers	2.7%	0.3%	2,586	Remainder/Composite Metal	1.1%	0.4%	1,015
#3-#7 Bottles and Containers	1.0%	0.1%	922	Remainder Composite Glass	2.0%	1.0%	1,929
Plastic Bags and Other Film	2.5%	0.3%	2,342	Medical Waste	0.0%	0.0%	10
Polystyrene	0.5%	0.1%	495	Sharps	0.0%	0.0%	0
Durable Plastic Items	2.3%	0.5%	2,174	Chemicals	0.0%	0.0%	17
				Personal Hygiene Products	1.0%	0.5%	975
Recyclable Metal	4.5%		4,328	TV and CRT Monitors	0.0%	0.0%	0
Aluminum Beverage Cans	0.4%	0.1%	359	Electronics	0.4%	0.3%	410
Aluminum Foil	0.2%	0.1%	186	Automotive Batteries	0.0%	0.0%	0
Steel (Tin) Cans	1.6%	0.5%	1,568	Lithium Ion Batteries	0.0%	0.0%	0
Other Scrap Metal	2.3%	0.7%	2,214	Alkaline Batteries	0.0%	0.0%	34
				Ni-Cad Batteries	0.0%	0.0%	1
Recyclable Glass	5.5%		5,264	Tanks	0.0%	0.0%	0
Recyclable Glass	5.5%	1.0%	5,264	Tires	0.0%	0.0%	0
				Oil Filters	0.0%	0.0%	11
Compostable Organics	4.9%		4,676	Motor Oil	0.0%	0.0%	0
Food Waste	3.1%	0.8%	2,921	Wood	1.5%	1.0%	1,452
Yard Waste	0.7%	0.4%	636	Mercury Lamps	0.0%	0.0%	7
Compostable Paper	1.2%	0.2%	1,119	Other Universal Waste	0.0%	0.0%	19
				Other Materials	5.2%	1.7%	4,971
Recyclable Textiles	3.9%		3,669	Totals	100.0%		95,257
Bagged Textiles	0.3%	0.2%	327	Sample Count	70		
Loose Textiles	3.5%	0.9%	3,342				

Confidence intervals calculated at the 90% confidence level. Percentages for material types may not total 100% due to rounding.

"Clean" recyclable paper is defined as material not soiled or contaminated that could reasonably be expected to be recycled without special processing or cleaning.

Attachment B: Customer Service Performance Standards

Overall customer satisfaction: Contractor required to meet 75% customer satisfaction of customers with an expressed opinion (customers with no opinion or stating "don't know" would be excluded) from annual third-party surveys specific to core services that contractor provides to residents (single-family recyclables collection in Service Districts A & C).

Quality of Performance of Contractor (additions to section 18.2 of current agreement):

Topic	Liquidated Damage Language	Amount	New/Updated
Call Center	Failure to Achieve Minimum Average Telephone Delay Time for Customer to Talk with a CSR	Minimum delay time: 180 seconds quarterly average. Delay time is time from first ring until customer speaks with CSR. >190 second avg, \$5,000/quarter	new
Call Center	Failure to Achieve Minimum Telephone Delay Time for Customer on Hold	Each call > 10 minutes total time on hold or call abandoned after 10 minutes on hold: not more than .3% of calls per quarter ≥.3%, \$10,000/quarter	new
Call Center	Failure to Achieve Minimum Acceptable Score for Call Center Service Level Quality	\$1,000 for not meeting minimum score of third party quarterly assessment report Minimum Score ≥80% per assessment/quarter	new
Customer Service	Failure to provide customer self-service option (website, email) as specified in this Agreement	\$1,000 per day	new
Incorrect Issuance of NCNs	Failure to issue Non-Collection Notice as specified in this Agreement	\$100 per incident	new
Missed Pick Ups	Failure to pick up material on scheduled day	\$100 per 1 missed pickup per 1,000 service opportunities for SFD (service opportunity = cart/bin, oil, large item setout)	updated: replace route completion
Collection Quality	Failure to return empty carts to the point of collection, upright with lids closed and locks secured (if applicable), as specified in this Agreement. This penalty would be complaint-based and for situations with public health & safety implications (e.g., cart toppled, in the middle of the road)	\$100 per incident	new

Failure to meet above Service Delivery standards by accumulating more than \$30,000 of Liquidated Damages (related to above new/updated items and items a., b., c., d., f., h., i., j., o., p., q., s., u., and ff. in Article 18.2 of current agreement) in a calendar year (or \$15,000 for partial year for July 1, 2019 – December 31, 2019 and for any six-month period at the beginning or end of the terms of the agreements) and failure to meet overall customer satisfaction determined by third-party survey (results of surveys conducted by mutually agreed upon third-party shall be final and binding), results in City making a deduction from payment due to Contractor on or before March 1st following the end of the calendar year:

- Year One: -\$0.15/unit/month
- Second Consecutive Year: -\$0.30/unit/month
- Third Consecutive Year: -\$0.45/unit/month

2019 Partial Calendar Year Example: \$0.15 x 165,000 units x 6 months = \$148,500

2020 Full Calendar Year Example: \$0.15 x 165,000 units x 12 months = \$297,000

Attachment C: Contractor Pricing

Services to be continued per 2011 contract terms, with changes detailed in this term sheet. Potential maximum compensation rates for contracted services are detailed in Section B below.

A. Adjustment of Potential Maximum Rates from 2017-2018 Dollars to 2021-2022 Dollars

The rates given below are in 2017-2018 dollars and will be adjusted for each fiscal year until the effective date. The table below clarifies how the given rates will be adjusted for each fiscal year until the effective date.

	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022
RRI Methodology	Current Agreement Methodology	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet	New Proposed Methodology Included in this Term Sheet

B. Potential Maximum Rates for Services

District A	% Non-Program Material *	Offer	Unit
<i>SFD Recycling Collection & Processing discount per household for each 2% below non-program material baseline due to City efforts to reduce non-program material in recycling</i>	20.00-32.99%	\$11.19 Plus \$0.28/HH for every 2% incremental above 20%	Per Household
<i>SFD Recycling Collection & Processing</i>	33.00-34.99% (33% Base level)	\$13.15	Per Household
<i>SFD Recycling Collection & Processing</i>	35.00-36.99%	\$13.43	Per Household
<i>SFD Recycling Collection & Processing</i>	37.00-38.99%	\$13.71	Per Household
<i>SFD Recycling Collection & Processing</i>	39.00-40.99%	\$13.99	Per Household
<i>SFD Recycling Collection & Processing</i>	>40.99%	\$14.27, plus \$0.28/HH for Every 2% Incremental Above 40.99%	Per Household

District C	% Non-Program Material *	Offer	Unit
<i>SFD Recycling Collection & Processing discount per household for each 2% below non-program material baseline due to City efforts to reduce non-program material in recycling</i>	18.00-31.99%	\$11.19 Plus \$0.28/HH for every 2% incremental above 20%	Per Household
<i>SFD Recycling Collection & Processing</i>	32.00-33.99% (32% Base level)	\$13.15	Per Household
<i>SFD Recycling Collection & Processing</i>	34.00-35.99%	\$13.43	Per Household
<i>SFD Recycling Collection & Processing</i>	36.00-37.99%	\$13.71	Per Household
<i>SFD Recycling Collection & Processing</i>	38.00-39.99%	\$13.99	Per Household
<i>SFD Recycling Collection & Processing</i>	40.00-41.99%	\$14.27	Per Household
<i>SFD Recycling Collection & Processing</i>	>41.99%	\$14.55, plus \$0.28/HH for Every 2% Incremental Above 41.99%	Per Household

*Applicable rates based on the percentage of non-program material (as defined in Attachment A) found in recycling carts, per studies conducted once every two years, as described in Section D.

Attachment D: Contractor Previous Pricing Offers

To record past offers during negotiations, previous offers are included below. The following rates are in **2017-2018 dollars, to be adjusted by RRI.**

Pricing offers:

- May Offer: Pricing submitted to City in May 2018, under different terms than this term sheet. New compensation rates effective July 1, 2021. Current RRI continues for entire term; options for: City outreach, customer service enhancements, and a new recycling standard different from current packet.

Item	5/2/2018 Offer	Unit
<i>SFD Recycling Collection & Processing</i>	\$15.99*	Per Household
<i>Outreach Transitioned to City</i>	-\$0.08	Per Household Savings

*contingent on beginning increased compensation rate immediately and altering in the near-term significant contractual terms, including: annual compensation adjustment, recycling market arrangements, diversion standard methodology and new definition and standards for acceptable contamination levels.

